

# How To Guide: Aggregate under-served markets into buying pools

*This activity promotes new opportunities to increase energy security and lower energy costs for under-served markets. It involves market analysis and collaboration with community partners, as well as outreach activities to inform target markets and technical assistance for participants.*

*Many customers do not have a sufficiently large load to attract the services of utilities and energy service companies. These under-served markets can include small businesses, residential customers, schools, small agricultural firms, and municipal governments. However, by aggregating the load into a buying pool, an attractively sized “customer” can be created. Buying pools have the opportunity to wield significant market power. Buying pools can secure reliable energy supplies at lower costs. Aggregating buyers can also increase access to energy efficiency services and renewable energy resources. States can deliver energy, economic, and environmental benefits to under-served markets by assisting in the development of buying pools.*

## **Desired Outcome:**

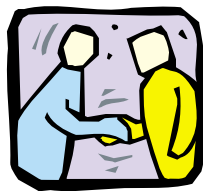
Under-served markets will have increased access to stable power supply at reasonable cost and greater opportunities to secure energy efficiency and renewable energy services. This will result in both economic and environmental benefits to customers who otherwise might not have access.



## Program Design

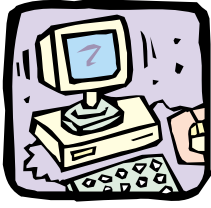
### Steps

1. Examine demographics and determine target market (e.g., block of small businesses, low-income neighborhood, a single school district or group of districts, tribal reservations, small communities, agricultural firms, municipal governments).
2. Conduct analysis of target market's energy load, current costs, projected savings, and other market factors to evaluate aggregation opportunities.
3. Enlist non-profit organizations to take on the role of aggregating small markets and look for existing groups to take on the role for their members or clients. Assist these groups in creating the administrative structure necessary to aggregate markets.
4. Carry out public education and outreach activities (workshops, presentations, audits) to increase awareness of benefits of buyers pools and educate on aggregation process. Help participants access information on energy prices, service offerings, and service quality of competitive providers.
5. Provide technical and legal assistance for market participation. Assist in negotiating service price, offerings, and quality with providers.
6. Monitor effectiveness of buyers pools, including participation rates, changes in energy costs for participants, and compliance with service offerings.
7. Modify program and assistance provided, as necessary.
8. Apply program to additional market segments.



## Partners and Possible Incentives

- **Small business associations:** Activity will benefit members, raise competitiveness of participating businesses.
- **Utility companies:** Improve reliability and decrease need for new generating capacity through better load management; reduce arrears, decrease marketing costs and other expenses.
- **ESCOs:** Economic opportunity.
- **Community redevelopment and housing associations:** Common goal is to improve energy and financial conditions for under-served markets; aligning efforts will serve shared goal. Energy savings may be returned as community development funds.
- **Native American tribes, municipal governments, schools districts:** Can reduce energy costs through aggregation; alleviate drain on budget from high energy costs.



## Resources Available

- Energy Cooperatives Network ([www.energy-co-op.net/index.html](http://www.energy-co-op.net/index.html))  
Comprehensive listing of federal, State, and non-profit resources available to small consumers and groups of consumers on the benefits of choice and options for aggregation.
- The National Rural Electric Cooperative Association ([www.nreca.org](http://www.nreca.org))  
Provides legislative, legal, and regulatory services; offers programs in insurance, management, and employee education, training, consulting, public relations, and advertising.
- Community Action Agencies can provide information on and access to low-income markets. Agencies are listed in phone book or access through national association ([www.ncaf.org](http://www.ncaf.org)).
- National associations for State and local agencies can provide member information ([www.naseo.org](http://www.naseo.org), [www.nascsp.org](http://www.nascsp.org), [www.ncaf.org](http://www.ncaf.org), [www.nacaa.org](http://www.nacaa.org), [www.nliec.org](http://www.nliec.org), [www.neada.org](http://www.neada.org)).
- National Association of Regulatory Utility Commissioners ([www.naruc.org](http://www.naruc.org))  
Contains a variety of position papers, articles, documents, and other publications related to utility restructuring around the country.
- Cooperative Development Institute, Lynn Benander, Executive Director ([lbenander@coopdev.org](mailto:lbenander@coopdev.org)) Phone: (413) 774-7599 Fax: (413) 774-3948
- The Utility Connection ([www.utilityconnection.com](http://www.utilityconnection.com)) Provides links to 3,486 electric, gas and water utilities, utility associations, news, magazines, utility financial resources, related State and federal regulatory and information sites.
- Oak Ridge National Laboratory  
([www.ornl.gov/ornl/btc/restructuring/pub.htm](http://www.ornl.gov/ornl/btc/restructuring/pub.htm)) A variety of documents which provide background information and guidance on restructuring.
- The National Consumer Law Center ([www.nclc.org](http://www.nclc.org)) Helps consumers, their advocates, and public policy makers to use consumer laws on behalf of low-income Americans seeking economic justice.
- DOE's Weatherization Assistance Program promotes energy savings in low-income communities  
([www.eren.doe.gov/buildings/weatherization\\_assistance/](http://www.eren.doe.gov/buildings/weatherization_assistance/)).
- Enterprise Zones ([www.ezec.gov](http://www.ezec.gov)).



## Resources Needed

- Staff to perform market analysis and provide outreach
- Legal assistance
- Technical assistance
- Financial resources to support start-up



## Key Conditions/ Factors

- Strong community or client advocacy groups who are able to rise to the challenge and aggregate markets into buying pools.
- Thorough understanding of the needs and priorities of all participants.



## Special Opportunities for Success

- Current utility restructuring
- New construction of low-income housing
- Aging municipal/government facilities, schools, and small businesses



## Success Boosters

- Works best in extremely competitive energy markets
- Political support
- Positive media coverage to encourage participation



## Technology Transfer Plan

- Present results and process through peer exchange between States and conference presentations
- Media coverage
- Post information on State's web site (or a partner's site)



## Barriers and Potential Solutions

- **Under-served markets/client groups are often extremely fragmented and may not have much in common:** Link groups with common goal of reliable and affordable energy.
- **Community based organizations and associations are not always willing to take on the complicated, time-consuming task:** Educate on benefits, provide technical and financial support, follow-up to determine additional needs.
- **Legal barriers:** Decide on appropriate legal framework for aggregation (co-op, buying club, municipal utility, etc.) and clarify all requirements and risks.
- **Any financing necessary will be risky and expensive:** Look for opportunities to finance through savings; research potential grant funding; seek utility investment.

**Note:** *Competitive markets have been slow to emerge for small consumers and will therefore be difficult for any aggregator at this stage.*



## Metrics

- Comparison of individual vs. aggregate price
- Percentage of market penetration



## Case Studies/Examples

### Illinois

The Center for Neighborhood Technology in Chicago, Illinois, recently partnered with Commonwealth Edison to launch the New Community-Based Energy Cooperative. ComEd will invest \$14.7 million in start-up funds over the next three years. The Co-op will work with Illinois residential, industrial, and commercial energy customers. Residential customers in Illinois use 50 percent of their power in the three summer months. By aggregating communities, including industrial customers, the aggregate energy use profile becomes more attractive. The immediate goals of the Co-op are to improve energy reliability, lower customers' costs, reduce energy waste and pollution, and earn money for community development initiatives. ComEd will pay the Co-op for reducing its members' demand for energy and will distribute cash energy reduction payments to its members or subsidize the purchase of energy-efficient equipment. The Co-op will launch its first pilot neighborhood program in Pilsen, a low-income community. The Association of Illinois Electric Cooperatives and other national Co-op organizations are providing technical and organizational assistance.

Consumer benefits include: Lower energy bills, access to energy-efficient technologies, more reliable electrical service, cleaner environment, healthier retail and commercial community, new social capital, and improved collective bargaining power in a competitive market.

Commonwealth Edison benefits include: improved reliability, increased capacity, better performance, and enhanced corporate citizenship.

For additional information, contact: Jennifer Amdur Spitz at (773) 975-1345.

### California

In California, the California Electric Users Cooperative (CEUC), a newly formed federation of 18 agricultural cooperatives and its affiliated grower cooperative, have signed a favorable full service electric supply contract for electricity with New West Energy of Phoenix, Arizona. A unique feature of this cooperative is that it contains both large and small agricultural firms; the cooperative organization used the attractive demand profiles of their larger members to build a package that was attractive to aggregators and provided benefits to smaller members as well. Farmers are now saving on electric costs for their cooperative as well as on the commercial meters on their farming operation.

### New York

In New York City, the 1st Rochdale Cooperative Group, Inc. has been organized. This electric user cooperative, the first ever created to serve a major city, is purchasing power for nearly 50,000 apartments. This cooperative could eventually provide power for 600,000 New Yorkers living in cooperative apartments that range from low-income flats to Park Avenue penthouses. By pooling their purchases, members are already saving on their energy costs and anticipate securing even lower rates for its members as the cooperative grows and restructuring expands its purchasing opportunities. For more information see: [www.energy-co-op.net](http://www.energy-co-op.net).